



**CITY OF RYE, NEW YORK
FINANCE COMMITTEE MEETING NOTES
November 8, 2004 – 7:30 p.m. – Employees' Lounge, City Hall**

Present: Michael Caponiti, Fred Dunn, David Mullane, Jono Peters, George Pratt, and Sal Samperi; City Council liaison Franklin Chu; City staff liaison Michael Genito.

Absent: Norm MacMaster

Guests: George Ilse

Continued Discussion Regarding the Concept of a Real Estate Transfer Tax

Michael Genito reported that as of October 8, 2004, the Corporation Counsel's office was researching and developing the necessary language that could be adopted by the Council and forwarded to NYS, to create the legislation for the City that would establish a local real estate transfer tax (or fee). Existing legislation for other communities would be reviewed to identify the "boilerplate" language that probably exists and the areas specific to each community (transfer tax rate, restrictions on the use of the revenues, any other special requirements, etc.). Proposed language would be returned to the City Comptroller, along with a summary of the range of tax rates, restrictions, etc. The City Comptroller would then present this information to the Finance Committee for further discussion, and ultimately, forwarding the information and a recommendation to the City Manager, for further distribution to the City Council. The Corporation Counsel's office noted that it might take some time to gather all the necessary information and prepare the draft legislative language.

Amending the Budget Calendar

The issue of presenting a tentative budget to the City Council earlier than the traditional date on or about Election Day was discussed. Michael Genito reported that there are two issues, one being a functional issue and the other a policy issue. The functional issue deals with the impact of requiring City departments to change their calendars and dedicate resources to accommodate the earlier deadline, raises questions as to the usefulness of information that is less mature, and must address the ability of the Finance Department to not only prepare the tentative budget document but as well respond to the various inquiries over the extended period of time. The other issue is a policy/role issue. The council/manager form of government that we operate under, and as structured in our Charter, establishes that the City Council establishes policy and the City Manager and staff implement those policies. The Charter is clear in that the role of

the City Manager is to prepare the budget based on policies established by the City Council.

Jono Peters commented that perhaps it is not the role of the Finance Committee to review this issue, and that in addition to a policy and role question, it has political implications. Jono suggested that the Finance Committee discontinue their discussion on this matter unless there is a clear directive from the City Council to do so. The Committee agreed.

\$2.5 Million Cap on Proposed \$1 Million Public Safety Debt Provision

The Committee discussed the proposed legislation that would change the City Charter bonding limits to exempt \$1 million of public safety per year from current referendum requirements. A memo recommending the change had been sent to the City Council, and the City Council returned the memo with a suggestion that an additional aggregate cap of \$2.5 million be added for all such outstanding debt, with the provision that the cap could be reset and additional bonds issued as approved through a mandatory referendum.

Michael Genito will contact bond counsel for the proposed revisions and forward them in a memo to the City Manager for further distribution to the City Council.

2005 Tentative Budget

Michael Genito distributed a copy of the 2005 Tentative Budget to Committee members and advised the Committee that a copy of the document, the November 3, 2004 presentation to the City Council, and a frequently asked questions page were available through the City's website. Jono Peters encouraged the publishing of budget information on the City's website for the benefit of the public and other interested parties.

Michael Genito reported that the budget is a responsible budget with minimal increases in the costs controlled by departments, and in compliance with all City financial policies. Franklin Chu noted that all City Council members planned to find ways to increase revenues and/or decrease expenditures in order to reduce the tax rate increase below the proposed 9.4%. George Pratt noted his concern over the increase in taxes over the past three years and the reduction of available fund balance. Franklin noted that there is a minimal ability to increase productivity or decrease costs without affecting the quality of service provided. Franklin also noted that the average tax rate increases in other communities that appear to be publicly acceptable ranges from 4.5% to 9.5%. Michael Genito noted that some communities might be achieving lower tax rate increases through their budgeting for retirement costs. New legislation and a recommendation from the State Comptroller may be interpreted to mean that communities would have no pension liability in 2004, providing a surplus for use in 2005. The new legislation also allows communities to borrow the amount of pension cost in excess of some percentage

of payroll. Franklin noted that communities might be using fund balance to offset a property tax increase.

George Pratt noted his concern that the City was only reserving a percentage of tax certiorari challenges. He noted that the City Council should be aware of the potential impact of the Osborn case, both to the payment of back taxes plus 9% interest and the continuing impact of lost tax revenues, and should have a strategy and plan to adequately address a “worst case” scenario. Sal Samperi noted that the annual financial budget should prudently address a reserve, but prudence does not mean that the City provide for worst case scenarios. Franklin noted that the City Council has discussed the Osborn case, but perhaps it requires further discussion. The issue of bonding a judgment and the maximum maturity of such bonds was discussed. George Pratt noted that the 2005 budget proposes to fund certain capital items from fund balance and suggested a more appropriate course would be for the City to bond those items and reserve more fund balance for certiorari cases. Michael Genito noted that the Assessor’s office and Corporation Counsel keep the City Council advised as to certiorari cases and related judgments and settlements, and would discuss the issue with the City Manager and City Assessor. Michael Genito also advised that he would contact bond counsel to determine the appropriate maturity of bonds issued to satisfy judgments.

Next Finance Committee Meeting

The next regular meeting of the Finance Committee is scheduled for Monday, December 6, 2004 at 7:30 p.m. in the Employees’ Lounge of City Hall.

Several members discussed the possibility of a special meeting before the next regular meeting to review and comment on the 2005 budget. Michael Genito suggested that since there are several workshops and Council meetings already scheduled for the 2005 budget, and many ideas may be circulated and discussed at those meetings, it may be of greater benefit for one or more Finance Committee members to be in attendance at those meetings. Michael Genito also noted that he would not be available due to the work required to prepare for the already scheduled meetings. Sal Samperi noted that he would attempt to have a meeting of the Committee, or a sub-committee, perhaps on November 22nd, and would be in contact with Committee members prior to that date.

Adjournment

Having no further business, the meeting adjourned at 9:15 p.m.

Respectfully submitted,

Michael A. Genito